

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 STR-04 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FEAE-00 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-03 SP-02 SS-15 TRSE-00 PA-01 PRS-01

/091 W

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P 121505Z NOV 75

FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC PRIORITY 3324

C O N F I D E N T I A L ALGIERS 3321

E.O. 11652: GDS

TAGS: ENRG, AG

SUBJECT: CHEMICO WITHDRAWAL FROM ALGERIA

REF: (A) ALGIERS 3299 (B) ALGIERS 3284

1. SUMMARY: CHEMICO WITHDRAWAL FROM LNG PLANT SITE AT ARZEW PROCEEDING AHEAD RAPIDLY. CHEMICO SAYS IT WILLING TO COOPERATE WITH REPLACEMENT COMPANY ONLY IF SONATRACH AGREES TO DROP SUIT AGAINST COMPANY. WITHOUT CHEMICO COOPERATION, PROJECT WILL ENCOUNTER SIGNIFICANT DELAYS EVEN BEYOND THOSE NOW FORESEEN. END SUMMARY.

2. CHEMICO WITHDRAWAL FROM ALGERIA, FOLLOWING BREAKDOWN OF CONTRACT TALKS WITH SONATRACH, IS MOVING AHEAD MUCH MORE RAPIDLY THAN EXPECTED. AS OF NOV. 11, 65-70 CHEMICO PEOPLE (OR ABOUT ONE THIRD OF TOTAL) HAD LEFT SITE. SOME CHEMICO EMPLOYEES, HOWEVER, HAVE EXPRESSED DESIRE TO REMAIN AND SEEK JOBS WITH CHEMICO'S REPLACEMENT.

3. EMBOFF DISCUSSED CHEMICO WITHDRAWAL FROM LNG  
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PLANT CONSTRUCTION CONTRACT WITH AEROJET VP NICHOLS

NOV. 10 IN ARZEW. IN RESPONSE TO QUESTION ABOUT CHEMICO'S REACTION TO PROBABLE LEGAL SUIT BY SONTRACH, NICHOLS SAID HE NOT SURE SONATRACH WOULD INDEED DECIDE TO SUE CHEMICO FOR BREACH OF CONTRACT. ALTHOUGH NOT ALL LEVELS OF SONATRACH YET REALIZED IT, NICHOLS SAID, IT WOULD BE "IMPOSSIBLE" FOR ANOTHER CONSTRUCTION COMPANY TO COMPLETE LNG-1 WITHOUT CHEMICO'S COOPERATION. NICHOLS EXPLAINED THAT CHEMICO HAD WITHHELD CERTAIN ENGINEERING DRAWINGS AND HAD DELIVERATELY AVOIDED SHIPPING TO ALGERIA CERTAIN ESSENTIAL PIECES OF EQUIPMENT (ALREADY BUILT AND IN CHEMICO WAREHOUSES IN US). ANY OTHER CONSTRUCTION COMPANY WOULD BE UNABLE TO COMPLETE WORK WITHOUT THESE DRAWINGS AND EQUIPMENT. NICHOLS ADDED THAT IF SONATRACH DECIDED NOT RPT NOT TO SUE CHEMICO, COMPANY WOULD BE WILLING TO COOPERATE FULLY IN TRANSFERRING EQUIPMENT AND DESIGNS.

4. AS TO CHEMICO'S REPLACEMENT, ODDS ON FAVORITE AT THIS POINT IS US CONSTRUCTION COMPANY PROCON. PRESIDENT AND CHIEF ENGINEER FOR PROCON WERE IN ALGIERS NOV. 10 FOR DISCUSSIONS WITH SONATRACH. WE HAVE HEARD FROM SEVERAL SOURCES THAT SONATRACH HAS OFFERED PROCON CONTRACT, BUT PROCON HAS NOT DECIDED WHETHER TO ACCEPT, REPORTEDLY HOLDING OUT FOR FAR BETTER CONTRACT TERMS THAT CHEMICO HAD.

5. EMBOFF ALSO MET WITH M. BENAMAR BERROUAYEL, DIRECTOR OF CONSTRUCTION AT ARZEW FOR SONATRACH NOV. 10. BERROUAYEL NOTED THAT DESPITE PRESS REPORTS (REFTTEL) THAT SONATRACH MOVING TO REPLACE CHEMICO, CHEMICO STILL HAD TIME TO RECONSIDER ITS POSITION. RESPONSIBILITY FOR CHEMICO'S DEPARTURE ENTIRELY ITS OWN AND NOT DUE ANY PRESSURE FROM SONATRACH, WHICH STOOD BY STATEMENT IN LETTER OF NOV. 3 TO EFFECT THAT CHEMICO HAD 30 DAYS IN WHICH TO CONFORM TO CONTRACT. (COMMENT: BERROUAYEL CLEARLY WAS TRYING TO MAINTAIN SONATRACH'S LEGAL POSITION THAT CHEMICO IS LEAVING OF ITS OWN ACCORD. HE UNDER NO ILLUSIAONS THAT CHEMICO WOULD REMAIN.)

6. BERROUAYEL ALSO STRESSED TO EMBOFF THAT CHEMICO  
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NEED HAVE NO CONCERN RE SAFE DEPARTURE OF ITS PERSONNEL. WHILE SONATRACH WOULD NOT ALLOW ANY PLANS OR PAPERS TO LEAVE JOB SITE, CHEMICO PERSONNEL FREE TO LEAVE AND TAKE ANY HOUSEHOLD EFFECTS THEY MIGHT HAVE.

7. COMMENT: NICHOLS MAY HAVE OVERSTATED HIS CASE IN SAYING THAT IT IMPOSSIBLE FOR ANOTHER COMPANY TO FINISH LNG-1 WITHOUT CHEMICO COOPERATION. NEVERTHELESS,

US CONSULTANTS AT ARZEW SITE AGREE THAT IF CHEMICO  
WITHHOLDS COOPERATION, PROJECT WOULD BE DELAYED 18  
MONTHS TO TWO YEARS BEYOND DELAYS ALREADY EXPECTED  
FROM TRANSFER OF CONTRACT TO ANOTHER COMPANY.

8. EXDIS DESIGNAION OF REFTTEL B IS NO LONGER NECESSARY.PARKER

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## Message Attributes

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